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and Certain of Its Affiliates*

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re	:	Chapter 11 Case No.
	:	
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	:	08-13555 (SCC)
	:	
Debtors.	:	(Jointly Administered)
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**REPLY TO RESPONSE OF DEKA TO PLAN ADMINISTRATOR’S FOUR HUNDRED
FIFTY-FIFTH OMNIBUS OBJECTION TO CLAIMS (NO LIABILITY CLAIMS)**

TO THE HONORABLE SHELLEY C. CHAPMAN
UNITED STATES BANKRUPTCY JUDGE:

Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator under the *Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and Its Affiliated Debtors* (the “Plan”), files this reply to the response [ECF No. 48077] (the “Response”) filed by DekaBank Deutsche Girozentrale, DEKA International S.A., and International Fund Management S.A. (collectively, “Deka”) to the Plan Administrator’s Four Hundred Fifty-Fifth Omnibus Objection to Claim (No Liability Claims) [ECF No. 42105] (the “Objection”), and respectfully represents as follows:¹

¹ Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Objection.

Preliminary Statement

1. The Response provides no basis to deny the Objection. The Response should be overruled and the Objection should be granted. Deka's claims subject to the Objection (the "Deka Claims") assert, in the aggregate, more than \$181 million based on LBHI's purported guarantee of the obligations of Lehman Brothers (Luxembourg) S.A. ("Lehman Luxembourg"), an affiliate of LBHI that is not a Debtor in these jointly administered chapter 11 cases and that is subject to a separate liquidation proceeding in Luxembourg. Each Deka Claim relates to a separate securities lending transaction (the "Transactions") entered into under a master securities lending agreement (the "Agreement"). Lehman Luxembourg borrowed securities under the Agreement and posted collateral to Deka in connection therewith. Each of the Deka Claims incorrectly asserts a claim against LBHI with respect to a transaction under which Lehman Luxembourg is actually a net creditor of the relevant Deka entity. Lehman Luxembourg has no liability with respect to each of these four transactions; on the contrary, it is *owed* a payment by Deka. Accordingly, LBHI has no liability to Deka in respect of any purported guarantee of Lehman Luxembourg's obligations under these transactions. The Deka Claims should therefore be expunged.

The Transactions

2. The Plan Administrator undertook a thorough review of each of these claims and determined that the Deka Claims, set forth below, were improperly asserted against LBHI because Deka actually owed money to Lehman Luxembourg on account of each of the Transactions underlying Deka Claims:

Claimant	Claim No.	Asserted Amount
INTERNATIONAL FUND MANAGEMENT S.A.	19986	\$43,249,153.35
INTERNATIONAL FUND MANAGEMENT S.A.	19987	\$40,169,117.79
DEKA INTERNATIONAL S.A.	19988	\$24,653,496.49
DEKABANK DEUTSCHE GIROZENTRALE	27709	\$72,981,090.60
TOTAL		\$181,052,858.23

Specifically, each Deka Claim incorrectly asserts a gross amount owing under the Agreement and fails to net and reduce the gross amount by the amount of collateral posted by Lehman Luxembourg. According to Deka's own calculations annexed to each of the Deka Claims, and LBHI's review of its books and records, Lehman Luxembourg is a net creditor under each Transaction that underlies the Deka Claims. Accordingly, the Plan Administrator placed the Deka Claims on the Objection.

Settlement Between Lehman Luxembourg And Deka

3. At the time that the Objection was filed, Deka and Lehman Luxembourg were engaged in settlement negotiations concerning Deka's primary claims against Lehman Luxembourg. As a result of those negotiations, Deka and Lehman Luxembourg entered into a settlement agreement (the "Settlement") on February 23, 2015. A copy of the Settlement is attached as Exhibit A to the *Declaration of Martin Potts* ("the "Declaration") filed concurrently herewith. Pursuant to the Settlement, Deka agreed that it owed Lehman Luxembourg money on account of, among other things, the primary claims that correspond to the Deka Claims, as a result of Lehman Luxembourg's right to setoff collateral posted by Lehman Luxembourg. The Settlement was admitted to the court in Luxembourg on April 22, 2015,² and on June 18, 2015, the Luxembourg court both (i) approved the setoff with respect to collateral delivered to Deka, and (ii) confirmed that no creditors had objected to the Settlement.³ The Settlement is now

² See Declaration Exhibit B.

³ See Declaration Exhibit C.

effective, and indeed, Deka has already paid Lehman Luxembourg the amounts owed to Lehman Luxembourg on account of the Transactions underlying the Deka Claims.

4. In the Response, Deka acknowledges that it would “ultimately be net debtors to Lehman Luxembourg” but requested that the Court delay any hearing on the Objection until Deka had the opportunity to finalize the Settlement. As noted above, the Settlement has been executed and has been finally approved by the Luxembourg court. The Settlement clearly establishes that the Deka Claims are based on Transactions for which Lehman Luxembourg is owed money. As a result, Deka’s sole basis for requesting that this court deny the Objection has been rendered moot. Because Lehman Luxembourg has no liability as to the Deka Claims, LBHI also has no liability to Deka on account of the Deka Claims.

5. Deka has refused to either withdraw the Deka Claims or to enable the Plan Administrator to release amounts currently held in reserve for the Deka Claims. The Plan Administrator has no choice but to continue prosecuting the Objection. Accordingly, the Plan Administrator requests that the Response be overruled and the Objection granted.

WHEREFORE for the reasons set forth above and in the Objection, the Plan Administrator respectfully requests that the Court enter the order disallowing and expunging the Deka Claims with prejudice.

Dated: September 4, 2015
New York, New York

/s/ Garrett A. Fail

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